

**Ogemaw Township
Ogemaw County, Michigan
Financial Report
With Supplemental Information
June 30, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

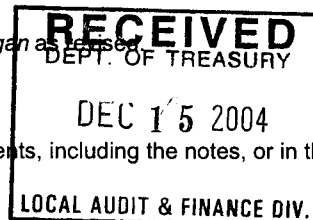
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name OGE MAW TOWNSHIP	County OGE MAW
Audit Date 6/30/04	Opinion Date 11/12/04	Date Accountant Report Submitted to State: 12/9/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER, CPAs, LLP			
Street Address 103 E MAIN STREET, PO BOX 69	City ROSE CITY	State MI	ZIP 48654
Accountant Signature <i>Robertson & Carpenter, CPAs, LLP</i>			Date 12/9/04

Ogemaw Township

Table of Contents

Page

Report Letter	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Assets	14
Statement of Revenue, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Net Assets	17
Statement of Changes in Net Assets	18
Notes to Financial Statements	19-29
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	30
Budgetary Comparison Schedule - Road Fund	31
Other Supplemental Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	33
Proprietary Fund:	
Comparative Statement of Revenues, Expenditures and Changes in Retained Earnings- Budget and Actual-Sewer Fund	34
Appendices	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36



Rodney C. Robertson, CPA
Robert J. Carpenter, CPA

ROBERTSON & CARPENTER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

INDEPENDENT AUDITOR'S REPORT

Township Board
Ogemaw Township
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ogemaw Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ogemaw Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ogemaw Township as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2004 on our consideration of Ogemaw Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 30 and 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ogemaw Township's basic financial statements. The accompanying other pages of supplementary information, as identified in the table of contents, are presented for purposes analysis and are not a required part of the basic financial statements. Such information has been of additional subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter, LLP, CPAs

Robertson & Carpenter, LLP
Certified Public Accountants
November 12, 2004

Management's Discussion and Analysis

As management of Ogemaw Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of Ogemaw Township exceeded its liabilities at the close of the most recent fiscal year by \$2,980,873 (*net assets*). Unrestricted net assets for the governmental activities were \$172,626. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$ 1,129,151, a decrease of \$ 228,590 in comparison with the prior year. Approximately 15% of the total amount, \$172,626, is available for spending at the township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$172,626 or 155% percent of total general fund expenditures.
- The Township's total debt decreased by \$55,000 (5 percent) during the current fiscal year, due to required annual principal payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The business-type activities of the Township include a sewer system and a water system.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Ogemaw Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Debt Service Fund and Road Construction Fund. Data from the other three non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Ogemaw Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund and Road Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Proprietary Funds. Ogemaw Township maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer and water activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 30 and 31 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 26-27 of this report.

Government-wide Financial Analysis

[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.]

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$2,980,873 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$1,409,303, or 47%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (\$1,002,589, or 34%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$568,981, or 19%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Township's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 1,139,735	\$ 358,231	\$ 1,497,966
Noncurrent assets:			
Restricted assets	0	63,323	63,323
Capital Assets, Net	<u>370,871</u>	<u>2,130,623</u>	<u>2,501,494</u>
Total Assets	1,510,606	2,552,177	4,062,783
Current Liabilities	17,451	39,459	56,910
Long-term Liabilities Outstanding	<u>965,000</u>	<u>60,000</u>	<u>1,025,000</u>
Total Liabilities	982,451	99,459	1,081,910
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(594,129)	2,003,432	1,409,303
Restricted	949,658	52,931	1,002,589
Unrestricted	<u>172,626</u>	<u>396,355</u>	<u>568,981</u>
Total Net Assets	528,155	2,452,718	2,980,873

The Township's net assets increased by \$64,737 during the current fiscal year discussed below.

Township's Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Program Revenue:			
Charges for services	\$ 5,142	\$ 59,301	\$ 64,443
Capital Grants	-	18,000	18,000
General Revenue:			
Property Taxes	153,873	-	153,873
State-Shared Revenues	82,009	-	82,009
Interest and Rent Earnings	23,586	-	23,586
Other	3,523	-	3,523
Total Revenue	268,133	77,301	345,434
Expenses:			
General Government	87,165	-	87,165
Public Safety	21,423	-	21,423
Public Works	24,129	-	24,129
Community Development	7,032	-	7,032
Interest on Long-Term Debt	43,102	-	43,102
Sewer and Water	-	97,846	97,846
Total Expenses	182,851	97,846	280,697
Increase (Decrease) in Net Assets	85,282	(20,545)	64,737
Net Assets, Beginning of Year	442,873	2,473,263	2,916,136
Net Assets, End of Year	528,155	2,452,718	2,980,873

Governmental activities. Governmental activities increased the Township's net assets by \$85,282, accounting for all of the total growth in net assets of the Township. This was primarily attributed to an increase in property tax revenues and interest earnings. Expenses increased due to interest expense of \$43,102 on the Road Construction bonds.

Business-type activities. Business-type activities decreased the Township's net assets by \$20,545, primarily due to depreciation expense on capital assets.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,129,151, a decrease of \$228,590 in comparison with the prior year. Approximately 15% of this total amount (\$172,626) constitutes *unreserved fund balance*, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in special revenue funds and are not available for current expenditure. The amount committed for road purposes consists of \$267,277 from property tax revenue and \$674,456 of bond proceeds restricted for road improvements. Amounts restricted for other purposes total \$14,792.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund was \$172,626. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 15% of total general fund expenditures.

The fund balance of the General Fund increased by \$10,169 during the current fiscal year.

Proprietary funds. The Township proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water Fund at the end of the year amounted to \$396,355. The total decrease in net assets was \$20,545. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The general fund budget was amended during the year, revising functional categories as needed. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2004, amounted to \$370,871 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions totaled \$305,851, including road improvements of \$300,470 for the fiscal year.

Township's Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 34,423	\$ -	\$ 34,423
Infrastructure	286,698	-	286,698
Buildings and improvements	45,427	-	45,427
Furniture and Equipment	4,323	-	4,323
Sewer and water systems	-	2,130,623	2,130,623
Total	\$370,871	\$2,130,623	\$2,501,494

Additional information on the Township's capital assets can be found in note 5 on page 22 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total bonded debt outstanding of \$1,025,000. The outstanding balance of revenue bonds issued for road construction purposes totaled \$965,000. Revenue bonds for the sewer system construction of \$60,000 are outstanding at year end.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2003-2004, the Township received \$82,009 in state shared revenue, representing 67% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.
- The Township will continue with the paving program financed by the Road Construction bonds. The bonds will be repaid with the voter-approved road millage.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ogemaw Township
Supervisor's Office
P. O. Box 5
West Branch, Michigan 48661

Ogemaw Township
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash (Note 3)	\$ 1,105,347	\$ 139,046	\$ 1,244,393
Receivables (Note 4)	21,222	219,185	240,407
Due from governmental units (Note 4)	13,166	-	13,166
Assets restricted by Bond Indentures	-	63,323	63,323
Capital assets-net	370,871	2,130,623	2,501,494
Total assets	1,510,606	2,552,177	4,062,783
Liabilities			
Accounts payable	8,347	39,459	47,806
Accrued and other liabilities	6,867	-	6,867
Deferred revenue (Note 4)	2,237	-	2,237
Noncurrent liabilities (Note 7):			-
Due within one year	25,000	15,000	40,000
Due in more than one year	940,000	45,000	985,000
Total liabilities	982,451	99,459	1,081,910
Net Assets			
Invested in capital assets, net of related debt	(594,129)	2,003,432	1,409,303
Restricted: -			
Road Fund	260,410	-	260,410
Debt Service	585	-	585
Road Construction	674,456	-	674,456
Revenue Bond ordinances	-	52,931	52,931
Other	14,207	-	14,207
Unrestricted	172,626	396,355	568,981
Total net assets	\$ 528,155	\$ 2,452,718	\$ 2,980,873

See accompanying notes to financial statements.

Ogemaw Township
Statement of Activities
Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Capital Grants
Primary government:				
Governmental Activities:				
General government	\$ 87,165	\$ 3,800	\$ -	\$ -
Public safety	21,423	1,342	-	-
Public works	24,129	-	-	-
Community development	7,032	-	-	-
Interest on long term debt	43,102	-	-	-
Total governmental activities	182,851	5,142	-	-
Business-type activities:				
Sewage Disposal System	97,846	43,109	-	18,000
Total primary government	280,697	48,251	-	18,000
General Revenues:				
Property taxes				
State-shared revenues				
Interest and investment earnings				
Other				
Total general revenues				
Change in Net Assets				
Net assets - beginning of year				
Net assets - end of year				

See accompanying notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Changes in Net Assets Governmental Activities	Business-type Activities	Total
\$ (83,365)	\$ -	\$ (83,365)
(20,081)	-	(20,081)
(24,129)	-	(24,129)
(7,032)	-	(7,032)
<u>(43,102)</u>	<u>-</u>	<u>(43,102)</u>
(177,709)	-	(177,709)
<u>-</u>	<u>(36,737)</u>	<u>(36,737)</u>
<u>(177,709)</u>	<u>(36,737)</u>	<u>(214,446)</u>
153,873	-	153,873
82,009	-	82,009
23,586	16,192	39,778
<u>3,523</u>	<u>-</u>	<u>3,523</u>
<u>262,991</u>	<u>16,192</u>	<u>279,183</u>
85,282	(20,545)	64,737
<u>442,873</u>	<u>2,473,263</u>	<u>2,916,136</u>
<u>\$ 528,155</u>	<u>\$ 2,452,718</u>	<u>\$ 2,980,873</u>

Ogemaw Township
Governmental Funds
Balance Sheet
June 30, 2004

	General Fund	Road Fund	Debt Service- Principal and Interest Fund	Road Construction Fund
Assets				
Cash and investments	\$ 136,585	\$ 269,514	\$ 585	\$ 674,456
Accounts receivable	-	-	-	-
Due from other funds	31,222	-	-	-
Due From other governmental units	13,166	-	-	-
Total assets	<u>\$ 180,973</u>	<u>\$ 269,514</u>	<u>\$ 585</u>	<u>\$ 674,456</u>
Liabilities				
Accounts payable	\$ 8,347	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	-	2,237	-	-
Total liabilities	<u>8,347</u>	<u>2,237</u>	<u>-</u>	<u>-</u>
Fund balances				
Unreserved:				
General Fund	172,626	-	-	-
Special Revenue Funds	-	267,277	-	-
Capital Projects	-	-	-	674,456
Designated (Note 13)	-	-	585	-
Total fund balances	<u>172,626</u>	<u>267,277</u>	<u>585</u>	<u>674,456</u>
Total liabilities and fund balances	<u>\$ 180,973</u>	<u>\$ 269,514</u>	<u>\$ 585</u>	<u>\$ 674,456</u>

Fund Balances - Total Governmental Funds

Elimination of due to and due from governmental funds

 Due to

 Due from

Amounts reported for governmental activities in the statement of net assets are different because:

 Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.

 The cost of capital assets is

 Accumulated depreciation is

 Long term liabilities are not due and payable in the current period and are not reported in the fund

 Road Construction bonds

 Accrued interest is not included as a liability in governmental funds

Net Assets of Governmental Activities

See accompanying notes to financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,207	\$ 1,105,347
-	-
-	31,222
-	13,166
<u>\$ 24,207</u>	<u>\$ 1,149,735</u>
\$ -	\$ 8,347
10,000	10,000
-	-
-	2,237
<u>10,000</u>	<u>20,584</u>
-	172,626
14,207	281,484
-	674,456
-	585
<u>14,207</u>	<u>1,129,151</u>
<u>\$ 24,207</u>	<u>\$ 1,149,735</u>
	1,129,151
	31,222
	(31,222)
	463,820
	(92,949)
	(965,000)
	(6,867)
	<u>\$ 528,155</u>

Ogemaw Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2004

	General Fund	Road Fund	Debt Service- Principal and Interest Fund	Road Construction Fund
Revenues				
Taxes and penalties	\$ 29,280	\$ 124,593	\$ -	\$ -
Licenses and permits	-	-	-	-
State-shared revenues	82,009	-	-	-
Charges for services	1,342	-	-	-
Interest and rentals	5,486	3,772	-	17,506
Other	3,523	-	-	-
Total revenues	<u>121,640</u>	<u>128,365</u>	<u>-</u>	<u>17,506</u>
Expenditures				
Current:				
General government	83,255	-	-	-
Public safety	21,423	-	-	-
Public works	1,412	8,945	-	300,470
Community development	-	-	-	-
Capital outlay	5,381	-	-	-
Debt service:				
Principal retirement	-	-	25,000	-
Interest and fiscal charges	-	-	43,245	-
Total expenditures	<u>111,471</u>	<u>8,945</u>	<u>68,245</u>	<u>300,470</u>
Excess of Revenues Over (Under)				
Expenditures	10,169	119,420	(68,245)	(282,964)
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>(68,245)</u>	<u>68,245</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>(68,245)</u>	<u>68,245</u>	<u>-</u>
Change in Fund Balance	10,169	51,175	-	(282,964)
Fund balances - Beginning of year	<u>162,457</u>	<u>216,102</u>	<u>585</u>	<u>957,420</u>
Fund balances - End of year	<u>\$ 172,626</u>	<u>\$ 267,277</u>	<u>\$ 585</u>	<u>\$ 674,456</u>

See accompanying notes to financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 153,873
-	-
-	82,009
410	1,752
212	26,976
-	3,523
<u>622</u>	<u>268,133</u>
560	83,815
-	21,423
-	310,827
7,032	7,032
-	5,381
-	25,000
-	43,245
<u>7,592</u>	<u>496,723</u>
(6,970)	(228,590)
-	-
<u>-</u>	<u>-</u>
(6,970)	(228,590)
<u>21,177</u>	<u>1,357,741</u>
\$ <u><u>14,207</u></u>	\$ <u><u>1,129,151</u></u>

Ogemaw Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (228,590)

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$ (17,122)
Capital Outlay	5,381
Public works - roads	<u>300,470</u>

288,729

Accrued interest is recorded in the statement of activities
when incurred; it is not reported in governmental
fund until paid

143

Repayments of road construction revenue bond principal is an
expenditure in the governmental funds, but not in the statement
of activities (where it reduces long-term debt)

25,000

Change in Net Assets of Governmental Activities

\$ 85,282

See accompanying notes to financial statements.

Ogemaw Township
Proprietary Funds
Statement of Net Assets
June 30, 2004

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total-Enterprise Funds
	Sewer System	Water System	
Assets			
Current assets:			
Cash and cash equivalents	\$ 139,046	\$ -	\$ 139,046
Accounts receivable	52,931	-	52,931
Due from other funds	46,000	-	46,000
Total current assets	237,977	-	237,977
Noncurrent assets:			
Restricted cash and cash equivalents	63,323	-	63,323
Special assessments receivable	166,254	-	166,254
Capital assets	2,063,432	67,191	2,130,623
Total noncurrent assets	2,293,009	67,191	2,360,200
Total assets	2,530,986	67,191	2,598,177
Liabilities			
Current liabilities:			
Accounts payable	18,268	-	18,268
Due to other funds	-	67,191	67,191
Current portion of noncurrent liabilities	15,000	-	15,000
Total current liabilities	33,268	67,191	100,459
Current Liabilities Payable from Restricted Assets	-	-	-
Long-term Debt - Net of current portion	45,000	-	45,000
Total liabilities	78,268	67,191	145,459
Net Assets			
Invested in capital assets - Net of related debt	2,003,432	-	2,003,432
Restricted - Revenue bond ordinances	52,931	-	52,931
Unrestricted	396,355	-	396,355
Total net assets	\$ 2,452,718	\$ 0	\$ 2,452,718

See accompanying notes to financial statements.

Ogemaw Township
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Assets
Year ended June 30, 2004

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total Enterprise Funds
	Sewer System	Water System	
Operating Revenue			
Sewage disposal services	\$ 42,157	\$ -	\$ 42,157
Penalties and interest charges	952	-	952
Total operating revenue	43,109	-	43,109
Operating Expenses			
Contracted services	22,875	-	22,875
Other	4,430	-	4,430
Depreciation	65,591	-	65,591
Total operating expenses	92,896	-	92,896
Operating Income (Loss)	(49,787)	-	(49,787)
Nonoperating Revenue (Expenses)			
Interest income	16,192	-	16,192
Frontage charges	18,000	-	18,000
Interest expense	(4,950)	-	(4,950)
Change in Net Assets	(20,545)	-	(20,545)
Net assets - Beginning of year	2,473,263	-	2,473,263
Net Assets - End of year	\$ 2,452,718	\$ 0	\$ 2,452,718

See accompanying notes to financial statements.

Ogemaw Township
Proprietary Funds
Statement of Cash Flows
June 30, 2004

	Enterprise Funds		
	Major Fund Sewer	Non-Major Fund Water	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 42,126	\$ -	\$ 42,126
Payments to suppliers	(25,813)	-	(25,813)
Other receipts	-	-	-
Net cash provided by operating activities	16,313	-	16,313
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	-	67,191	67,191
Transfers to other funds	(46,000)	-	(46,000)
Net cash provided by noncapital financing activities	(46,000)	67,191	21,191
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	(67,191)	(67,191)
Capital contributions	35,384	-	35,384
Principal and interest paid on long-term debt	(34,950)	-	(34,950)
Net cash used in capital and related financing activities	434	(67,191)	(66,757)
Cash Flows from Investing Activities -			
Interest received on investments	16,192	-	16,192
Net Increase in Cash and Cash Equivalents	(13,061)	-	(13,061)
Cash and Cash Equivalents - Beginning of year	215,430	-	215,430
Cash and Cash Equivalents - End of year	<u>\$ 202,369</u>	<u>\$ 0</u>	<u>\$ 202,369</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 139,046	\$ -	\$ 139,046
Restricted assets (Note 8)	63,323	-	63,323
Total cash and cash equivalents	202,369	-	202,369
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income (loss)	(49,787)	-	(49,787)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	65,591	-	65,591
Changes in assets and liabilities:	-	-	-
Receivables	(983)	-	(983)
Due from other funds	-	-	-
Due from other governments	-	-	-
Accounts payable	1,492	-	1,492
Accrued and other liabilities	-	-	-
Due to other funds	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 16,313</u>	<u>\$ 0</u>	<u>\$ 16,313</u>

See accompanying notes to financial statements.

Ogemaw Township
Fiduciary Funds
Statement of Net Assets
June 30, 2004

	Trust Fund- Pension Fund	Agency Funds
Assets		
Cash	\$ -	\$ 819
Investments - as fair value	41,129	-
Due from other funds	-	-
	<hr/>	<hr/>
Total assets	41,129	<u><u>\$ 819</u></u>
 Liabilities		
Accounts payable	-	\$ 788
Due to other funds	-	31
Due to other governments	-	-
	<hr/>	<hr/>
Total liabilities	-	<u><u>\$ 819</u></u>
 Net Assets - Held in Trust for Pension Benefits	 <u><u>\$ 41,129</u></u>	

See accompanying notes to financial statements.

Ogemaw Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended June 30, 2004

	Trust Fund- Pension Fund
Additions	
Contributions	
Employer	\$ 3,011
Employee	-
Investment earnings	<u>1,540</u>
Total Additions	4,551
 Deductions	
Benefits	104
Administrative expenses	<u>-</u>
Total deductions	104
 Net decrease	4,447
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>36,682</u>
End of the year	<u><u>\$ 41,129</u></u>

See accompanying notes to financial statements.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Ogemaw Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported a separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Road Fund is used to record property tax revenue, interest earnings and other revenue restricted for use on Township roads.

The Road Construction Fund (a Capital Projects Fund type) is used to account for the road construction activities financed with bond proceeds restricted for road construction.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the Township reports the following funds :

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2003 taxable value of the Township was \$31,285,478. The 2003 tax levy was .8066 mills for general operating purposes and 4.0000 mills for the Road Fund raising \$25,302 for general operating purposes and \$124,593 for road improvements. These amounts are recorded in their respective funds as tax revenue.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Restricted Assets- The revenue bonds of the Enterprise Fund require amounts to be set aside for operation and maintenance, bond payment, bond reserve. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads.), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$ 250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - There is no liability for compensated absences reported in the government-wide statements since no township employees are provided with sick or vacation pay benefits.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data for the prior year has been presented only for the Sewer Fund in the fund financial statements as other supplementary information in order to provide an understanding of the changes in operations of these funds.

Accounting Change - Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34)*. *Changes to the Township's* financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$163,350 previously reported in the General Fixed Asset Account Group. Capital assets being depreciated at July 1, 2003 previously reported in the General Fixed Asset Account Group have been adjusted by \$10,176 to reflect historical cost of the Township's assets at that date.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. During the year the budgets were amended in a legally permissible. There were no significant amendments during the year.

The Township has an accumulated fund balance deficit in the Downtown Development Authority Fund at June 30, 2004. The Fund borrowed \$10,000 from the General Fund to be repaid at \$2,000 per year for five years. The Township did not file a deficit elimination plan within 90 days after the beginning of the fiscal year to correct a deficit condition that existed at the end of the previous fiscal year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General - Capital outlay	\$ 1,393	\$ 5,381	\$ 3,988

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 3 - Deposits and Investments (Continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in banks and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority .

At year-end the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 1,105,347	\$ 139,046	\$ 819	\$ 1,245,212
Investments	-	-	41,129	41,129
Total	\$ <u>1,105,347</u>	\$ <u>139,046</u>	\$ <u>41,948</u>	\$ <u>1,286,341</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and certificates of deposit)	\$ 1,245,212
Investments	41,129
	<u>\$ 1,286,341</u>

The bank balance of the Township's deposits is \$1,312,028, of which \$ 331,575 is covered by federal depository insurance.

The only investment of the Township at June 30, 2004 is \$ 41,129 in the Pension plan invested with the Gleaner Life Insurance Society. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, the pension investments do not allow for risk categorization. The Township believes that investments in these funds comply with the investment authority noted above.

Note 4 - Receivables

The following is the detail of the receivables of the governmental activities due from other governmental units at June 30, 2004:

	General Fund	Sewer Fund	Other Major and Non- Major Funds	Total
State of Michigan	\$ 13,166	\$ -	\$ -	\$ 13,166
Less: Allowance for Uncollectibles	-	-	-	-
Total receivables	\$ <u>13,166</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>13,166</u>

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Metro Act payment received, not yet earned	\$ -	\$ 2,237
Totals	\$ 0	\$ 2,237
Total deferred revenue	<u>\$</u>	<u>\$ 2,237</u>

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities were as follows:

Governmental Activities

<u>Assets</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated - Land	\$ 34,423	\$ -	\$ -	\$ 34,423
Capital assets being depreciated:				
Infrastructure	-	300,470	-	300,470
Buildings	99,264	4,515	-	103,779
Furniture and equipment	24,282	866	-	25,148
Subtotal	<u>157,969</u>	<u>305,851</u>	<u>-</u>	<u>463,820</u>
<u>Accumulated Depreciation</u>				
Infrastructure	-	13,772	-	13,772
Buildings	56,393	1,959	-	58,352
Furniture and equipment	19,434	1,391	-	20,825
Subtotal	<u>75,827</u>	<u>17,122</u>	<u>-</u>	<u>92,949</u>
Net capital assets being depreciated	<u>82,142</u>	<u>288,729</u>	<u>-</u>	<u>370,871</u>
Net capital assets	<u>\$ 82,142</u>	<u>\$ 288,729</u>	<u>\$ 0</u>	<u>\$ 370,871</u>

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 5 - Capital Assets (Continued)

Business-type Activities

<u>Assets</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets not depreciated				
Construction in progress	\$ -	\$ 67,191	\$ -	\$ 67,191
Capital assets being depreciated				
Sewer system	3,279,541	-	-	3,279,541
<u>Accumulated Depreciation</u>				
Sewer system	1,150,518	65,591	-	1,216,109
Net capital assets being depreciated	2,129,023	1,600	-	2,130,623
Net capital assets	\$ 2,211,165	\$ 290,329	\$ 0	\$ 2,501,494

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,350
Public works	13,772
Total governmental activities	\$ 17,122
Business-type activities - Sewer	\$ 65,591

Note 6 - Receivables, payables and transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 31,222	General Fund	\$ -
Road Fund	-	Road Fund	-
Other Nonmajor Govern.	-	Other Nonmajor Govern.	10,000
Sewer Fund	46,000	Sewer Fund	-
Water Fund	-	Water Fund	67,191
Fiduciary Funds	-	Fiduciary Funds	31
Total	\$ 77,222	Total	\$ 77,222

The DDA Fund was established during the fiscal year with a loan of \$10,000 from the General Fund. The loan will be repaid from future DDA revenues at \$2,000 until paid in full.

<u>Transfer In</u>		<u>Transfer Out</u>	
None	\$ 0	None	\$ 0

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Obligations:					
2003 Road Construction (Interest Rate 5%)	\$ 990,000	\$ -	\$ 25,000	\$ 965,000	
Business-type Activities					
1982 Ogemaw County Sanitary Sewer Bonds (Interest Rate %)	90,000	-	30,000	60,000	15,000

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 25,000	\$ 3,000	\$ 28,000	\$ 25,000	\$ 42,120	\$ 67,120
2006	35,000	1,750	36,750	25,000	41,245	66,245
2007				25,000	40,370	65,370
2008				30,000	39,495	69,495
2009				35,000	38,445	73,445
2010-2014				225,000	169,980	394,980
2015-2019				345,000	110,950	455,950
2020-2024				255,000	25,095	280,095
2025-2029						
2030-2034						
Total	<u>\$ 60,000</u>	<u>\$ 4,750</u>	<u>\$ 64,750</u>	<u>\$ 965,000</u>	<u>\$ 507,700</u>	<u>\$ 1,472,700</u>

Note 8 - Restricted Assets

Specific assets of the Sewer Fund have been restricted for a reserve fund. The bond ordinance requires cumulative transfers to date of \$ 52,000 to the Reserve Fund. The Township has complied with the reserve requirements at June 30, 2004.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 9 - Risk Management

Ogemaw Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 10 - Pension Plan

Ogemaw Township contributes to the Ogemaw Township Employee Money Purchase Pension Plan, which is a defined contribution pension plan with the Gleaners Life Insurance Society.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. Contributions made by an employee and the Township vest immediately. An employee that leaves leaves the employment of the Township is entitled to his or her account balance consisting of employee and Township contributions, as well as earnings in the account.

The contract requires contributions based on annual salary. No employee contributions are required. The Township is required to contribute 7.3 % of compensation plus the administration fee of \$185. Covered wages for the fiscal year were \$41,617. Total wages for the fiscal year were \$42,647. The contribution was as follows:

Employer	\$	3,011
Administration fee		185
	\$	<u>3,196</u>

Gleaners Life Insurance Society held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Note 11 - Joint Area Fire Board

The Township, in conjunction with the City of West Branch and the townships of Ogemaw, Churchill, Edwards, Horton and West Branch has created the Ogemaw Fire Department (the "Fire Department"). The Fire Department's Board is comprised of the executive from each government or a designated representative with one vote each. The Fire department is funded through contributions from the members based on their pro-rata share of the combined state equalized value (SEV) of the municipalities. The total contributions from the municipalities for 2002 was \$110,564. Ogemaw Township's share was \$14,470, or 13.2%.

Ogemaw Township
Notes to Financial Statements
June 30, 2004

Note 11 - Joint Area Fire Board (Continued)

The most recent available information from the Fire Board's audited financial statements as of December 31, 2002:

Total Assets	\$65,999	Total Revenues	\$137,864
Total Liabilities	52,297	Total Expenditures	132,864
Total Equity	7,702	(Decrease) in fund balance	5,000

Upon dissolution of the Ogemaw Fire Department, all funds, special funds, equipment, land, buildings, and assets belonging to the Department shall remain with any two or more of the original municipalities that agree to continue under the terms of the contract on the effective date of the dissolution of the Department. The Township's interest in the net assets of the Fire Board has not included as part of the governmental activities in the statement of net assets. The Township is unaware of any circumstances that would cause an additional burden to the participating municipalities in the near future. Complete financial statements can be obtained from the Township Clerk at P.O. Box 5, West Branch, Michigan 48661.

Required Supplemental Information

Ogemaw Township
 Budgetary Comparison Schedule - General Fund
 Year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>2004</u>	<u>2004</u>	<u>Budgetary</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Over (Under)</u>
Fund Balance - Beginning of year	<u>\$ 162,457</u>	<u>\$ 162,457</u>	<u>\$ 162,457</u>	<u>\$ -</u>
Resources (Inflows)				
Taxes and fees	28,900	28,900	29,280	380
Licenses and permits	-	-	-	-
State-shared revenues	96,650	96,650	82,009	(14,641)
Charges for services	2,700	2,700	1,342	(1,358)
Interest and rentals	4,400	4,400	5,486	1,086
Other	2,975	2,975	3,523	548
Amounts available for appropriation	<u>135,625</u>	<u>135,625</u>	<u>121,640</u>	<u>(13,985)</u>
Charges to Appropriations (Outflows)				
General government	128,079	128,061	83,255	(44,806)
Public safety	29,457	30,132	21,423	(8,709)
Public works	1,800	1,800	1,412	(388)
Recreation and culture	-	-	-	-
Capital outlay	2,050	1,393	5,381	3,988
Debt service	-	-	-	-
Total charges to appropriations	<u>161,386</u>	<u>161,386</u>	<u>111,471</u>	<u>(49,915)</u>
Fund Balance - end of year	<u>\$ 136,696</u>	<u>\$ 136,696</u>	<u>\$ 172,626</u>	<u>\$ 35,930</u>

Ogemaw Township
 Budgetary Comparison Schedule - Road Fund
 Year ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	2004	2004	Budgetary	Final Budget
	Original	Final	Basis	Over (Under)
Fund Balance - Beginning of year	\$ 228,755	\$ -	\$ 216,102	\$ 216,102
Resources (Inflows)				
Taxes and fees	130,000	130,000	124,593	(5,407)
Interest and rentals	1,000	1,000	3,772	2,772
Other	-	-	-	-
Amounts available for appropriation	<u>131,000</u>	<u>131,000</u>	<u>128,365</u>	<u>(2,635)</u>
Charges to Appropriations (Outflows)				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	32,200	32,200	8,945	(23,255)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contributions to other funds	89,055	89,055	68,245	(20,810)
Total charges to appropriations	<u>121,255</u>	<u>121,255</u>	<u>77,190</u>	<u>(44,065)</u>
Fund Balance - end of year	<u>\$ 238,500</u>	<u>\$ 9,745</u>	<u>\$ 267,277</u>	<u>\$ 257,532</u>

Other Supplemental Information

Ogemaw Township
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds			Total Special Revenue
	<u>Cemetery</u>	<u>Building</u>	<u>DDA</u>	
Assets				
Cash and investments	\$ 5,819	\$ 15,420	\$ 2,968	\$ 24,207
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 5,819</u>	<u>\$ 15,420</u>	<u>\$ 2,968</u>	<u>\$ 24,207</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	10,000	10,000
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Fund Balances:				
Unreserved	<u>5,819</u>	<u>15,420</u>	<u>(7,032)</u>	<u>14,207</u>
Total fund balance	<u>5,819</u>	<u>15,420</u>	<u>(7,032)</u>	<u>14,207</u>
Total liabilities and fund balances	<u>\$ 5,819</u>	<u>\$ 15,420</u>	<u>\$ 2,968</u>	<u>\$ 24,207</u>

Ogemaw Township
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds			Total Special Revenue
	Cemetery	Building	DDA	
Revenue				
Taxes and fees	\$ -	\$ -	\$ -	\$ -
Charges for services	410	-	-	410
Interest and rentals	58	154	-	212
Other	-	-	-	-
Total revenue	468	154	-	622
Expenditures				
General government	560	-	-	560
Community development	-	-	7,032	7,032
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	560	-	7,032	7,592
Excess of Revenue Over (Under) Expenditures	(92)	154	(7,032)	(6,970)
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	(92)	154	(7,032)	(6,970)
Fund Balances - Beginning of year	5,911	15,266	-	21,177
Fund Balances - End of year	\$ 5,819	\$ 15,420	\$ (7,032)	\$ 14,207

Ogemaw Township
Comparative Statement of Revenues, Expenditures
and Changes in Retained Earnings - Budget and Actual - Sewer Fund
Proprietary Fund Type
Years ended June 30, 2004 (Audited) and 2003 (Unaudited)

	June 30, 2004 (Audited)		Variance with Final Budget Over (Under)	June 30, 2003 (Unaudited)
	Budget	Actual		
Operating Revenue				
Sewage disposal services	\$ 40,000	\$ 42,157	\$ 2,157	\$ 42,391
Penalties and interest charges	-	952	952	950
Total operating revenue	40,000	43,109	3,109	43,341
Operating Expenses				
Contracted services	26,000	22,875	3,125	24,076
Other	14,986	3,329	11,657	13,543
Depreciation	-	65,591	(65,591)	65,591
Total operating expenses	40,986	91,795	(50,809)	103,210
Operating Income (Loss)	(986)	(48,686)	(47,700)	(59,869)
Nonoperating Revenue (Expenses)				
Interest income	14,000	16,192	2,192	18,360
Interest expense	(8,250)	(4,950)	3,300	(4,750)
Income (Loss) - Before transfers	4,764	(37,444)	(42,208)	(46,259)
Amortization of contributed capital - grants	-	39,930	39,930	39,930
Change in Net Assets	4,764	2,486	(2,278)	(6,329)
Net Assets - Beginning of year	138,194	110,902	(27,292)	117,231
Net Assets - End of year	<u>\$ 142,958</u>	<u>\$ 113,388</u>	<u>\$ (29,570)</u>	<u>\$ 110,902</u>

APPENDICES



ROBERTSON & CARPENTER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
Ogemaw Township
Ogemaw County, Michigan

We have audited the financial statements of Ogemaw Township as of and for the year ended June 30, 2004, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ogemaw Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ogemaw Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter, LLP, CPAs

Rose City, Michigan

November 12, 2004

OGEMAW TOWNSHIP
REGULAR BOARD MEETING
December 8, 2004

Supervisor Denis Stephens called the meeting to order at 7:00 P.M. Board members present, Denis Stephens, Virginia Linsenman, Sandy Hodgins, Ron Dantzer, Renee Ryland also 13 Township residents and guests.

Sandy motioned we accept the minutes from the previous meeting as printed, second by Renee passed.

Treas. report was received and filed.

Citizens Comments:

John Burgess was here in regards to the reconstruction and black topping of Dow Rd. He presented a petition in this regards wanting the Dow road done next year. We will contact the County Road Commission and West Branch Twp.

Kendall Pollison spoke on the ORV Ordinance. Denis made the motion we enter into the ORV Ordinance for the entire Township. Second by Ron, Roll call vote, Virginia yes, Sandy yes, Ron yes, Denis yes, Renee yes, resolution passed.

Tom Grosskopf from Wade Trim presented an update on the water project. The contracts must be signed at once. Bond Closing will be December 9, 2004. Tom discussed the forming of a water committee for the water extension. It will be a 5-member committee Carl Rathka, Richard Fletcher, Ron Dantzer plus two more members. The first order of business will be forming a water ordinance. Motion Ron second by Sandy, motion passed.

Richard Riegle filed a complaint on the property at 196 Highland St. and 3130 Husted Dr. Ron & Denis will check into the complaint.

Greg Illig reported on the County Comm. meeting.

New Business:

Bruce Tyree was here in regards to fire works permit for firing from 12-20-2004 - 6-3005. Motion by Virginia we allow Bruce Tyree to display fire works, second by Ron, Motion passed.

Sewer Loan Pay-off. Motion by Virginia we pay-off the Sewer loan with U.S.D.A as of December 20, 04, in the amount of \$60,830.71, second Renee, Roll call vote, Ron yes, Virginia yes, Sandy yes, Renee yes, Denis yes, motion passed.

The C.P.A noted we would need to set up three new accounts for the water extension account. We will need a construction Account, Billings Account and Debt retirement accounts Ron made the motion we set up the above accounts, second Sandy, motion passed.

It was noted a person might pay on their special assessment water extension more than once a year.

Motion by Renee if the township tax bills are over paid by less than \$3.00 the township will not return the check. If the township is has been over paid more than \$3.00 the township will return the check and ask to have another one issued for the correct amount. Second by Sandy passed.

Motion by Renee we adjust the budget in the amount of \$3394.00 for the General Fund, Second by Sandy. Roll call vote, Ron yes, Denis yes, Renee yes, Virginia yes, Sandy yes, passed.

Money on P. A. 25 Tabled till Ron checks out the 425 Agreement.

Gray Rd. North of Maes Rd. When needed we will have the snow banks pushed back by a private contractor .Ron made the motions we table this till next month second by Renee Passed.

We will go ahead and apply for a DNR grant for the park. This application must be in by April 1, 2005.

Motion by Ron we sign the Agreement with the Ogemaw County Road Commission for the reconstruction of Boutell Ranch Road from Ski Park Road west 1.60 to the point of ending .in the amount of \$155,765.25 second by Virginia. Roll call vote, Sandy yes, Denis yes, Ron yes, Renee yes, Virginia yes, passed.

Motion by Ron we sign the agreement with the Ogemaw County Road Commission for the reconstruction of 1/8 Lines road from Dow Road west 1.0 mile to Gray Road. In the amounts of \$103,959.00, Second by Virginia. Roll call vote Sandy yes, Ron yes Renee yes, Virginia yes, Denis yes, passed.

Motion to adopt deficit elimination plan for DDA Fund:

Motion by Virginia to adopt the DDA Fund has a deficit of \$7,032 at June 30, 2004. The General Fund loaned \$10,000 to the fund to be repaid from DDA revenues with an annual payment of \$2,000 per year. The Board approves this repayment schedule at the Board meeting held on December 8, 2004. Second by Renee. Roll call vote Virginia yes, Denis yes, Sandy yes, Renee yes Ron yes, motion passed.

Resolution 12-08-2004-01 Ogemaw Township Capital Assets: Accounting and Appraisal. Was offered by Ron we pass the following resolution second by Sandy, Roll call vote,

Denis yes, Virginia yes, Renee yes, Sandy yes, Ron yes, resolution passed and copy attached.

Resolution Setting Delivery Date. At the regular meeting of the Township of Ogemaw (the "Township") held on the 8th day of December, 2004. Present Stephens, Linsenman, Hodgins, Ryland and Dantzer.

On November 23, 2004, the Township Board considered proposal for the purchase of Township \$805,000 Special Assessment Bonds, Series 2004-B (the "Bonds"). For which the Township has pledged its limited tax full faith and credit, and accepted the proposal of Bernardi Securities Inc. (the "Purchaser") to purchase Bonds.

The Following resolution was offered by Renee and seconded by Sandy/ Roll call vote, Virginia yes, Sandy yes, Ron yes, Denis yes, Renee yes, Resolution declared adopted. Resolution adopted.

Resolution setting Delivery Date

. At a regular meeting of the Township Board of the Township of Ogemaw (the "Township") held on the 8th day of December, 2004.

Present: Linsenman, Stephens, Hodgins, Dantzer, Ryland.

On November 23, 2004, the Township Board considered proposals for the purchase of the Township's \$555,000 Special Assessment Bonds, Series 2004-A (the "Bonds"), for which the Township has pledged its limited tax full faith and credit, and accepted the proposal of Bernardi Securities, Inc. (the "Purchaser") to purchase the Bonds.

The following resolution was offered by Ron Dantzer and seconded by Sandy Hodgins.

Roll call vote, Denis yes, Virginia yes, Ron yes Sandy yes, Renee yes, resolution declared adopted. Resolution attached.

Motion by Virginia to purchase an extended Computer hard drive for \$100.00 for Reenes computer, Second by Sandy, motion passed.

Bills for the month for the General Fund in the amount of \$16,728.16, Downtown Development \$274.81, Sewer Billings, \$204.64. 2004 Road Construction \$121,107.00 Second by Sandy we pay the bills. Roll call vote, Renee yes, Sandy yes, Denis yes, Virginia yes, Ron yes, motion passed.

There being no future business Ron made the motion we close the meeting at 10:30 P>M. second by Sandy. Motion passed.

Virginia Linsenman
Ogemaw Township Clerk